

991
58 Ag 82
cop. 2
The **AGRICULTURAL OUTLOOK DIGEST**

AGRICULTURAL MARKETING SERVICE, U. S. D. A.

WASHINGTON, D. C.



MARCH 1954

Demand for farm products is being maintained even though the gradual decline in economic activity is continuing.

Consumers have about as much income to spend for food and other products as at any time in past. While total income payments to individuals have fallen off with the decline in employment, the cut in income taxes has held income available for spending near record rates.

Prices received by farmers have been generally steady the last few months. In January and February, farmers sold about the same quantity of products as a year earlier at prices averaging slightly lower. These sales brought farmers \$4.6 billion, about same as in same period of 1953.

Current statistics on business activity show the mixture of weakness and strength characteristic of last several months.

Further declines in industrial production in February brought total drop from July peak to 10%. Unemployment increased further in February. Inventories are still relatively high compared with sales. New orders for durable goods, declining since last spring, dropped sharply in January. Government demand has fallen off since fall with the reduction in Federal spending.

On the plus side, new construction rose slightly in February, after adjusting for usual seasonal changes, and was close to record levels. Businessmen appear to be carrying out plans to maintain expenditures for new plant and equipment in early 1954. Retail sales rose a little in February but remained moderately below late 1953. Wholesale and retail prices, on the average, continue steady.

The farm price-cost situation as the planting season begins this spring is about the same as it was a year ago.

Index of prices paid for production goods, interest, taxes and wage rates in February was off 1% from year earlier, compared with the 2% decline for prices received by farmers. Ratio of two indexes (prices received divided by production index) was 89 in February compared with 90 a year earlier. Ratio hasn't been above 92 or below 88 the last 13 months.

This spring a farmer can buy, on the average, as much seed for 90¢ as he paid a dollar for last year. Feeder and stocker cattle, calves and lambs cost him less but hogs considerably more. Chick prices are up but turkey poults are down. Feed prices average 6% below a year ago.

Credit is more expensive this spring since interest rates have risen an average of 9% over the year. Farm real estate taxes are up 5%. Farm wage rates and prices of most of the industrial products farmers buy are running slightly higher than last spring.

Although the costs of running a farm have come down a little, there's been no let-up in the cost of living. Prices paid for items bought by farm families for living in February were 2% above a year ago and only a trifle below the highest point ever reached.

General stability in farm price-cost situation is expected the rest of this year. At present, there is no indication of any material change for better or for worse.

LIVESTOCK: Prices for hogs are expected to stay relatively high through this year. Slaughter this year has been running far below year ago and prices have been highest in several years. Slaughter will catch up to or pass year ago levels in the second half of 1954 when

hogs farrowed this spring are sold. Seasonal price declines next fall probably will be greater than usual, but prices are likely to stay favorable to hog production.

Danger is that high corn-hog ratio may lead to over-expansion, much lower prices next year. Ratio has been above average for a year; was 31% above in February. In most past years, above average ratios have led to increased hog output.

Seasonal declines in prices of cattle are expected this spring. Fed cattle prices probably will not drop as much as last year and probably will stay above the low point of last June.

DAIRY PRODUCTS: Milk production continued at a record rate in February, totaling 8,980 million pounds, 5% above a year earlier. Prices for both fluid and manufacturing use are declining seasonally. Further declines will occur when lower support levels go into effect April 1.

POULTRY AND EGGS: Broiler producers are maintaining output despite the slump in prices the last 3 months. Chick placements in several areas continued near record levels into March, indicating broiler slaughter will continue high in April and May.

Egg prices began their decline later than usual this year, but by mid-March prices were generally below a year earlier. However, returns are expected to be attractive enough this spring so that more chicks will be raised for laying flock replacement than last year. The hatch of chicks so far this year has exceeded early 1953.

Turkey hatchings also are at a high rate and a large number of breeders are available. This points to a larger crop than in 1953 and it may exceed the 1952 record.

FEED: Farmers had placed 292 million bushels of 1953 corn under price support through February 15. In addition, 525 million bushels of old corn were under loan or owned by CCC. Prices continue below support levels. Feed grain prices have been fairly steady in recent weeks while soybean meal and some of other high protein feeds have advanced.

WHEAT: The CCC had about 550 million bushels of 1953 wheat under loan and purchase agreement on January 31. An additional 430 million bushels from previous crops were owned by CCC on March 4. The 754 million bushels not under support programs or owned by CCC this season is less than is expected to be used in the United States and exported. Wheat prices in early March were at the highest levels of the season.

FRUIT: Supplies of Florida oranges for marketing this spring are somewhat larger than a year ago while quantity of California Navel oranges is moderately lower. Production of frozen orange concentrate in Florida through February 20 of this season was about 50% above a year earlier.

VEGETABLES: USDA guides for processing crops suggest a 5% reduction from last year in total acreage planted. Commercial stocks of frozen vegetables and most major canned items are larger than a year earlier.

Higher prices than last year are in prospect for new potatoes this spring because of expected reduction in production. Prices for 1953 crop potatoes remain well below a year ago.

COTTON: Cotton prices have risen above support levels and some cotton has been re-deemed from loan. CCC stocks (owned, in producers' pools and pledged as collateral against loans) declined from the peak of 8.4 million bales on February 12 to 8.3 million on March 12.

TOBACCO: Firm demand is the outlook for tobacco in the year ahead. About as much as last year is expected to be used in cigarettes, cigars, smoking tobacco and snuff. Continuation of the downtrend in use of chewing tobacco is likely. Exports of unmanufactured tobacco are expected to be favorable compared with most prewar years though down a little from 1953.

